



# Tompkins County Department of Administration

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*"Promoting excellence in County operations while respecting the needs of the people we serve."*

September 1, 2015

To the Honorable Members of the Tompkins County Legislature:

I am pleased to present you the Recommended 2016 Tompkins County Budget. The Budget reflects an improving, but still volatile, economy and the stability that is the return on the County's investments in organizational capacity and fiscal strength.

The Recommended Budget raises the County property tax levy by just 1.3%—well below the final State-imposed tax cap of 1.8%. Even at that restrained level of growth, the Budget supports current levels of service and provides additional funding for items or activities that improve productivity, customer service, the condition of our infrastructure, or the sustainability of the organization—the things that make us stronger, but not bigger.

The recovering economy has had a positive impact on the budget. As caseloads have begun to recede from levels that remained elevated long after the Great Recession ended, the local cost of several state-mandated human services programs has fallen for the first time in memory. The near-absence of inflation has held commodity costs down. And sales tax is expected to rebound modestly next year from the surprisingly poor performance in the first half of this year. (It is too soon to tell whether the ripple effects of recent tremors in the global economy will affect the local economy and the County's budget.)

The Budget is also benefiting from the County's prior policy and fiscal decisions. Efforts to constrain the rapidly growing cost of health care are reflected in stable fringe benefit costs. Funding for productivity-enhancing technology and training is helping to sustain services with a workforce that is 7% smaller than in 2009. Investing in energy efficiency measures for county buildings and solar panels on the roofs of those buildings has reduced our energy costs. The Legislature's fiscal policies have led to high credit ratings, and low interest on our debt. It is hard to measure the impact of decisions not to take action, but the County's refusal to entertain short-sighted strategies to deal with fiscal challenges, such as borrowing for pensions or spending-down reserves—has contributed greatly to our strength, stability, and resiliency.

In all, the Recommended Budget represents an assurance to the community that needed services will remain secure and affordable. The budget is balanced with a tax *rate* that will go *down* in 2016—from \$6.86 per \$1,000 to \$6.74 per \$1,000. Acknowledging that assessed values are also rising alongside the strengthening local economy, the average homeowner will pay an additional \$15.36 next year for County taxes and \$4 more in solid waste fees.

## **Major Influences on the Budget**

### **Labor Costs**

Fringe Benefits: Labor agreements covering 2016 are now in place for nearly all County employees. The good-faith negotiations that produced these and prior agreements recognized the need for fair wage growth, which will average 2.25% in 2016, and also reasonable measures to moderate the growth of health care costs. Recognition of the unsustainable growth in health care costs was also the impetus for the County and its employees to participate in the creation of the Greater Tompkins County Intermunicipal Health Insurance Consortium—an inter-municipal health benefits consortium that will mark its 5<sup>th</sup> anniversary in 2016. The effectiveness of this multi-faceted effort

is measurable and significant. Once-soaring health benefit costs are now an important source of stability in the 2016 budget.

In May, local governments were advised of a new actuarial formula that will be applied by the State Comptroller to establish pension rates. The formula takes into account that we are living longer and that the current projections of investment earnings are overly optimistic. While prudent, the news was unexpected and contrary to earlier assurances that pension rates would decline as the losses suffered by the pension fund during the recession were recovered. Pension rates, which now average 18.2% of payroll, are expected to remain very high for the foreseeable future. To mitigate the impact of this formula change, the 2016 pension budget adjusts our pension estimate to account for savings from positions that become vacant over the course of the year. Historically, the County has based its pension estimate on a full-roster payroll, and has generally realized a modest surplus in this account.

Overtime: The Budget recognizes that overtime in the County Jail has consistently exceeded the amount budgeted, and adds \$140,000 to the Sheriff's overtime and related fringe benefit accounts. In some County operations, overtime can be managed to fit the budget. I am confident that the jail administrators are doing what is necessary to manage overtime costs, but must confront the reality of uncontrollable population levels, transport details, and employee turn-over that are endemic to a jail operation.

Workforce: The total County workforce will decline by two full-time-equivalent positions in 2016, bringing the total FTE roster to slightly below 720. The roster is now 7.2%, or 56 positions, smaller than its peak in 2009.

The overall reduction in the workforce is the result of a number of changes in County departments, including three new positions that are a part of over-target requests that are recommended by the County Administrator, specifically:

- Deputy Director of Finance—proposed as a means to address a very lean staffing pattern in the Finance Department. The position will be versatile enough to assist in every area of the operation, and to share high level tasks with the Director;
- Emergency Services Dispatcher—responds to high levels of overtime (compensatory time), and the related risks associated with dispatcher fatigue.
- Administrative Assistant I—recognizes the volume of customer service activity within the Assessment Department by replacing a seasonal position with a full-time position, bringing the year-round office staff in the Assessment Department to three employees

In addition to the positions supported by OTR's, the budget recognizes new grant-supported positions created in COFA in 2015 to support additional activities, including playing a central role in a region-wide long-term care ombudsperson program.

New positions added by the Budget are offset by workforce reductions in other areas, particularly within the Department of Social Services, where changing caseload levels and shifts of responsibilities to the State have allowed a five-position reduction in the roster. The reductions will be made by managing natural attrition.

Labor Cost Summary: The combination of wage growth, benefit cost relief, and changes in the workforce roster results in a \$702,000, or 1.1%, increase in the County's overall cost of labor compared to the 2015 modified budget. This increase has a local dollar impact of \$516,000.

## **Mandates**

For the first time in memory, the 2016 Recommended Budget includes a reduction in the overall local cost of State-mandated human service programs. Although starting at a very elevated point, mandated costs are expected to fall by \$637,000 from the 2015 Budgeted level.

Most of the reduction is contained in the Department of Social Services budget, where over \$1 million in local cost reductions are projected—much of which is concentrated in the Child Care (child welfare) programs. The adjustment, like others made by DSS, is based on actual spending patterns rather than speculation about future trends. The declining child placement activity and Temporary Assistance caseloads from the peaks experienced in 2012-13 have had an significant impact on costs.

Even the nemesis of county governments in New York State—Medicaid—is expected to go down again in 2016. The combination of a “hard cap” on the growth of Medicaid and savings associated with the Affordable Care Act has resulted in a \$176,000 drop in the local cost of Medicaid in 2016. Although Medicaid will still represent 25% of the County's entire property tax levy, the cost has declined from \$12.4 million in 2013 to \$11.5 million estimated for 2016.

The news about mandates is not all good. The cost of the Health Department's PreK Special Education program is rising rapidly as both caseloads and service costs grow. The \$410,000 local dollar increase required to support the program is the largest single source of growth in the 2016 budget.

## **Vehicle Replacement**

One of the effects of the last recession was a cut in funding for vehicle replacement. Vehicles were among the discretionary items that had to be deferred until our situation stabilized. As a result, there is a need to replace a number of vehicles in our small, but aging, fleet.

The Recommended Budget adds \$580,000 to the current \$751,000 allocation for vehicle purchases. In those instances in which vehicles are lightly used and do not need to be frequently replaced, onetime money has been made available to pay for the vehicles. For example, onetime funds are being recommended to replace four cars in the Mental Health Department that are between nine and fifteen years old. (The Planning Department is seeking grant funding that would be combined with County money to purchase purchase electric vehicles for Mental Health.) Onetime funds are also proposed to replace three large snow plow/dump trucks in the Highway Division that will be ten years old in 2006.

The Sheriff's Office's budget for vehicles is currently \$64,000, enough to purchase one-to-two vehicles. Historically, the Office has made use of roll-over funds to pay for additional vehicles, but restrictions placed on roll-over have made this strategy unsustainable. The Recommended Budget includes an OTR that would add \$120,000 to the Sheriff's target budget for vehicles, enough to purchase four patrol vehicles each year. In addition, the Budget recommends onetime funding to replace two sedans used by the criminal investigators.

## **Capital Reinvestment**

The Budget continues to adhere to the 2012 Updated Capital Improvement Plan adopted by the Legislature, including the policy that calls for an annual 0.5% increase in the property tax levy to support capital investment. By this policy, \$231,000, or more than a third of the proposed 1.3% tax levy increase, is dedicated to capital reinvestment. Most of these funds will be applied to pay debt service on projects already authorized by the Legislature.

The proposed 2016-20 Capital Program, which is a part of the Recommended Budget, adds a few new projects to the current Program, including a new access control system and cameras at the Public Safety Building, the reconstruction of the South George Road bridge, and a final phase of Ellis Hollow Road. The proposed plan also calls for work to continue on the Facilities Restoration program in 2017 and 2018 rather than taking a two-year pause. This capital maintenance program is addressing a backlog of basic repairs and improvements to County buildings and grounds. As it has since its approval, the Capital Program is focused on maintaining existing infrastructure.

## **Sponsored and Partner Agencies**

The County's reach is extended, and its mission more completely fulfilled, through its relationships with its Sponsored Agencies (TC3, TCAD, TCAT, and TCPL) and well as its numerous partner agencies such as the Human Services Coalition and the Cornell Cooperative Extension. The 2016 Recommended Budget includes a combination of target and onetime funding to these agencies that will provide an additional \$448,000 in County support.

In addition to a 2% cost of living adjustment provided to most of the agencies, and a 2% increase to TC3 approved earlier this year, the Budget recommends onetime capacity-building support to the History Center, Cornell Cooperative Extension, and agencies funded through the Human Services Coalition. These investments in the past have allowed local agencies to increase their self-sufficiency and thereby limit their reliance on on-going County support. This year, for example, onetime funds are being recommended to hire a part-time bookkeeper/office manager that will be shared by the History Center and Historic Ithaca, allowing the directors of both to focus on fundraising and strategic planning and also laying the groundwork for further shared arrangements.

I have also recommended a \$150,000 increase in target funding, in addition to the 2% cost of living adjustment, for the Tompkins County Public Library. With this increase in funding, the County can come very close to fulfilling the multi-year plan to close the Library's structural deficit. By the end of this year, and as expected, the Library will have applied nearly all of its remaining reserves to support operations and must look to the County to fill that gap. As was envisioned by the 2013 working group, the phased approach to solving the structural deficit has allowed time for the County to build its capacity to provide additional funds, and for the Library to engage in a strategic review of how to fund aspirations that exceed current levels of operation.

## **Sales Tax**

The most vexing question of the 2016 Budget is how to estimate next year's sales tax revenue. Receipts in the first half of 2015 have been surprisingly low. Countywide collections are down 2.6% from the year before, and there are signs the economy may be weakening. However, history suggests that collections tend to rebound after a bad year, and that there is an underlying pattern of relatively predictable growth.

The projection used to develop the 2016 estimate looks at 2013 as the last “normal” collection year—2014 was shaped by an extraordinary 4<sup>th</sup> quarter—and assumes that 2016 collections will be 5% higher than what was received in 2013. At that modest rate of growth, sales tax revenues in 2016 will be \$400,000, or 1.3%, higher than was budgeted in 2015. While I am reasonably confident of that projection, it is something that will require vigilant monitoring and a plan to respond if actual receipts lag behind the budgeted estimate.

### **Other Major or Noteworthy Items**

Although there are thousands of items in the budget that vary from 2015, a few warrant special attention because of the amount of funds involved, or the linkage to organization-wide priorities.

Costs of a Presidential Election Year: The Board of Elections will manage multiple elections, including as many as four primaries, in the 2016 presidential year. To adequately staff these elections, BOE has requested, and I have recommended, \$123,000 in onetime funding.

Technology and Training: Continuing the investment in technology and training that enhances both productivity and the workplace environment, the Budget includes \$50,000 for the on-going cost of an upgraded office automation and email system. The Office 365 system will be more reliable, secure, efficient, and user-friendly than our current office automation system. It will also have features, such as video conferencing, document-sharing, and remote access that will enhance productivity.

I have also requested \$50,000 in onetime funding for staff training intended to address issues identified in the recent Workplace Climate Survey, including career and leadership development. I am hopeful the supplemental funding for training can be converted to Target funding in the future.

Airport: The budget includes continued assistance to the airport in the form of a waiver of administrative fees for services provided to the airport by County staff. This would be the second year of a proposed three-year plan to help the airport rebuild passenger activity and return to full self-sufficiency. The waiver saves the airport \$126,000 in payments to the County.

Solid Waste: The price paid for recycling commodities has been dropping over the past several years and seems to be settling-in at a low level. To sustain its operations, including the new food scrap initiative, the Solid Waste Division has proposed, and I have recommended, returning the annual solid waste fee to \$56. The rate had been reduced to \$52 in 2015.

### **Tax Cap**

The Recommended Budget would raise the County property tax levy by 1.3%—an amount consistent with our April projection of the State-imposed tax cap. Based on information that has now been supplied by the State, our estimate of the cap is now 1.82%. The levy required to balance the Recommended Budget is therefore \$241,414 below the cap. If the Budget remains as it is, this unspent cap capacity would be available to be applied in a future year.

As of this date, the State has not advised the County of its position on the countywide Government Efficiency Plan (GEP) submitted in June as a part of the State’s “Tax Freeze Credit” program. The County’s GEP documented \$1.7 million in annual countywide savings generated by several health cost containment initiatives. As long as the

County remains under the 2016 tax cap, if the State does accept our GEP, an average homeowner will receive a State rebate check that offsets the \$15.36 tax impact of the 2016 County budget.

### **Goals and Outcomes**

The Recommended Budget was shaped by a several goals that have guided the County's budget policy over the past several years, and have contributed to a stability that is uncommon among local governments.

- **Goal:** Maintain Services.
  - **Outcome:** Achieved. There are no service reductions or program eliminations required by the Budget. .
- **Goal:** Reinvest in Infrastructure.
  - **Outcome:** Achieved. The Budget fully funds the Capital Program and continues to increase the property tax levy by ½% to support reinvestment in County infrastructure.
- **Goal:** Address Organizational Pressure Points.
  - **Outcome:** Achieved. Positions are added in critical areas that are demonstrably understaffed; the Library's structural deficit has been nearly closed; a vehicle replacement plan is being put in place; investments are being made in technology and training; capacity-building support is being provided to partner agencies.
- **Goal:** Stay within Tax Cap.
  - **Outcome:** Achieved. The proposed tax levy is well below the cap.

### **Fiscal Summary**

The Recommended Budget has applied the resources available within the parameters set by the Legislature. Particularly at a time when the economy is showing signs of instability, this Budget aims to strengthen the County and increase its ability to withstand economic turbulence. That achievement is not to be worn as a badge of honor, but to serve as an assurance to those who rely on County services that when help is needed, we will be there.

**Total Budget:** The Recommended 2016 budget stands at \$171,075,993. After adjusting for a new way of accounting for the issuance and retirement of bond anticipation notes in 2015, this represents a 0.8% increase in total spending over the 2015 modified budget.

**Local Dollar Budget:** The local dollar budget is the portion of the budget that is not reimbursed by the state or federal governments, nor offset by earned program income. It is spending that must be supported by local dollars—mostly by local sales and property tax revenue. The 2016 local dollar budget totals \$85,002,252, or 1.9% more than the 2015 adopted budget.

**Property Tax Levy:** The gap between total expenses and all other revenue is filled by the property tax. The recommended budget would be balanced by a property tax levy of \$46,796,189—an increase of \$600,736, or 1.30%. The recommended levy is below the projected 1.81% property tax cap.

**Property Tax Rate:** Because of the modest increase in the tax levy and a relatively robust 2.9% increase in the value of taxable property in the County, the recommended 2016 property tax rate will decline to \$6.74 per \$1,000 from the 2015 tax rate of \$6.86 per \$1,000, a reduction of 1.7%

**Impact on Owner of Median-Valued Home:** Over the past year, the median value of a single family home in Tompkins County has risen from \$165,000 to \$170,000. The recommended budget would increase the County property tax bill for the owner of a median-valued home by \$15.36, to a total of \$1.146. Additionally, homeowners will see a \$4 dollar increase in their annual solid waste fee.

As I transmit the recommended budget to you, I wish to thank County Department Heads and Agency Directors, and their staffs, for their professional approach to the challenges that mark every budget. All exercised the restraint we requested, and continue to find ways to maintain service levels, provided with high quality, to the community.

The Legislature, too, is recognized for establishing clear policy guidance and instilling a culture of fiscal discipline and responsiveness to community needs that has shaped this budget, and many before it. The Legislature has steadfastly refused to engage in the nearsighted fiscal gimmicks so many others have employed. As a result, we remain able to maintain services, invest in the public's infrastructure, sustain our partner agencies, and maintain our strong fiscal health—all with a modest increase in the property tax levy.

I especially want to thank Kevin McGuire, who has come to master our very complex budgeting systems, and Kevin Sutherland, who continued to be on-call when we needed his help and expertise. Our budget document has been designed to facilitate an understanding and discussion about programs, priorities and the competition for limited resources. Bringing clarity and transparency to the budget document and process involves a very complex, behind-the-scenes effort. That effort is greatly appreciated.

I look forward to working with the Legislature in the coming weeks to delve into the details of the budget and arrive at a 2016 spending plan that aligns with the priorities and values of our community.

Sincerely,

Joe C. Mareane  
County Administrator